

Public Facility Municipal Property Corporation

Refunding Bonds, Series 2014

Executive Summary

Town staff and consultants regularly review outstanding bonds issued on behalf of Gilbert to identify opportunities to reduce debt service costs. A current favorable bond market would allow for a refinancing of approximately \$30.2 million of Public Facility Municipal Property Corporation, Series 2006 excise tax backed bonds.

The preliminary analysis suggests a net present value savings of approximately \$1.8 million or approximately 6% of the principal amount of the bonds to be refinanced if a negotiated sale achieves the forecast bond yield of below 2.00%.

The recommended parameters for the consummation of the bond sale are:

- I. A minimum present value savings of 5% of the principal amount refinanced (net of costs of issuance);
- II. A forecast bond yield of less than 2.00%;
- III. The proposed refunding bonds DO NOT extend the final maturity beyond July 1, 2021, the final maturity of the Series 2006 bonds being refunded; and
- IV. This Authorizing Resolution has an end date of July 31, 2015.

If these parameters are not met the bond sale will not be executed. If the bond market has not proven favorable for this refinancing by the end date of the Resolution, additional Council authorization is required for any further action.

The sources for debt service payments of the PFMPC Series 2006 bonds are:

- Police SDF – 17.814%
- Parks SDF – 26.717%
- General Government SDF – 25.419%
- General Fund – 30.050%

Timetable

Assuming Council approves the necessary Resolution on December 2, 2014, staff will proceed with electronic distribution of the Preliminary Official Statement on December 3rd. At that time the bonds will be rated. The proposed bond pricing is as early as the week of December 8th. If the negotiated sale meets the anticipated requirements, a Bond Purchase Agreement will be executed. Final closing is anticipated by the end of December, unless the transaction is postponed until 2015.

This timetable is developed to take advantage of the currently favorable bond market. If there is a radical change in the market, the Town is not required to proceed with the sale. This timetable also is the reason for the Emergency Clause, to allow for immediate execution of the documents upon completion of the transaction.

Ratings

Staff is scheduled for a ratings call with Moody's November 20th, and Standard and Poor's and Fitch Ratings on November 24th. Our current ratings are Aa2/AA/AA+.

FINANCIAL IMPACT

Repayment of the Public Facility Municipal Property Corporation bonds is through System Development Fees and General Fund contributions. The structure of this transaction allows for targeted savings of approximately \$900,000 in 2019 and \$1 million in 2020. Refinancing the Public Facility Municipal Property Corporation, Series 2006 bonds will save a total of approximately \$1.9 million over the life of the bonds.

The savings from the refinancing will be applied to the Police, Parks and General Government SDF Funds and to the General Fund proportionate to the percentage allocations listed on the previous page of this Communication.

Upon Refinancing, the Series 2014 Bonds will not be subject to redemption prior to maturity.